



DRIVING A STRONG ECONOMY COMMITTEE
Report
May 24, 2004

Members Present: Chair Forrest Williams, Councilmember Chuck Reed, Councilmember Judy Chirco

Members Absent: Vice-Chair Terry Gregory

Staff Present: Mark Linder, Paul Krutko, Ed Moran, Stephen Haase, Phil Prince

Guests: Cedric Fasbender, Bob Dauner

The meeting was convened at 1:45 p.m.

1. Report on attracting business to Hayes and Convention Center (Convention, Arts, and Entertainment, Dolce International, Office of Economic Development, San Jose Convention & Visitors Bureau)

The Dolce-Hayes Management and San Jose Convention and Visitors Bureau made two separate presentations to the committee. Cedric Fasbender, General Manager of Dolce International, presented an overview of the sales and marketing efforts of the Dolce management has implemented since taking over operations of the Hayes Mansion in January 2004. Dolce began by identifying key revenue markets to improve revenues.

- Group Conference Market
- Transient Intermittent Business Traveler (Local corporations requiring a couple nights stay, no meeting room needed.)
- Transient Leisure (Weekend Families and Social Guests)
- Food & Beverage (Wedding and Group Private parties, Dining rooms and room service)
- Day Meetings and Corporate Events
- Spa and Fitness Center

Since assuming managerial responsibilities, Dolce International has reorganized the sales and marketing functions and hired four new global sales managers. Markets beyond the local and high tech companies have been targeted. Utilizing their international sales team helped broaden and penetrate a larger market worldwide. Other strategies such as direct mail, blast email, Web marketing, key industry trade

shows, and other innovative ideas are being used to expand the base of customer contacts by using direct customer touch points.

A full report on Dolce's six-month progress will be presented to the City Council in August after the Council returns from the July recess.

Councilmember Reed asked for the aggregate number of night rooms that were booked compared to last year. Mr. Fasbender responded that this year the facility would outperform over last year, by approximately \$2 million in room nights.

Chair Williams asked if the same type of key revenue markets Dolce was targeting were the same as the prior operator. Mr. Fasbender's response was the previous operator focused on the 'Complete Meeting Package' which is defined as meeting room, overnight stays, onsite dining. This focus limited the facility in its ability to capture a larger market. Chair Williams asked Mr. Fasbender, since taking over operations of the Hayes Mansion this past year, what his thoughts were for the future success. Mr. Fasbender response was the Hayes Mansion and its grounds are easily marketable. After the initial takeover, they were disappointed to learn that only a pre-sale of 14% of the rooms were on the books versus the 50% the prior operator had claimed. Aggressive sales efforts have increased bookings for the next few quarters. Chair Williams asked when did Dolce learn of the room pre-sale discrepancy. Mr. Fasbender responded it was approximately around January 15, 2004 two weeks after they took over operations.

Mark Linder, Assistant City Manager inquired how the relationship with the City had been. Mr. Fasbender replied it has been fabulous. Monthly conference calls are made to city staff, and the support from the City is ongoing.

Bob Dauner, Vice-President of Sales for the San Jose Convention and Visitors Bureau (CONVIS), updated the committee on the activities they are presently pursuing. In alignment with the City's recently adopted Economic Development Strategy, CONVIS has taken a leadership role in getting San Jose position it globally as the creative and cultural center of Silicon Valley. Some of their efforts include:

- Marketing and Sales: Promoting and selling the destination, the convention facilities to help spur economic development.
- Customer Service: Providing solutions to meet the needs of show managers, meeting planners and attendees.
- Advocacy: Advocating locally on behalf of the meetings and conventions and tourism industry.

The Meetings and Conventions Industry have been challenged by a number of negative events during this recent economic downturn: September 11th attacks, SARS, war on terrorism and corporate downsizing. These events influenced the way meeting planners conducted business. They have to work with shrinking budgets and the need to achieve

a return on their investment, all while dealing with reduced attendance/exhibitor levels and cancellations. CONVIS responded by making significant operational adjustments, revising the Facility Use Agreement and creating flexibility in their pricing. Expanding service beyond concierge/hospitality, registration and housing, CONVIS assisted in streamlining the meeting planning process. In addition, CONVIS partnered with City staff to merge the efforts of the sales and marketing teams, assuming greater accountability to customers for the success of their meetings/shows. CONVIS has continued to work closely with City staff on finding innovative solutions in the future with the creation of Team San Jose and Access San Jose projects.

Councilmember Reed asked how Access San Jose would be contracted and permitted. Mr. Dauner responded that CONVIS would be the contact for vendors and Paul Krutko was the point person on the City side. For the meeting planner, CONVIS would be their single point of contact for all of their event needs.

Paul Krutko, Director of the Office of Economic Development, stated that Access San Jose was the One Voice presentation recently made to Council. In order to deliver the concept of Access San Jose, amendments to several policies and regulations would have to be made. This would require each of the departments to spend additional resources to support an event.

Mark Linder, Assistant City Manager, asked if the revised facility use agreement produced results. Mr. Dauner responded it did by providing flexibility and helping to create broader opportunities.

The Committee accepted staff's report on, "Report on attracting business to Hayes and Convention Center".

2. Report on the results of development process improvements (Planning, Building & Code Enforcement)

Stephen Haase, Director of Planning, Building, & Code Enforcement, presented this staff report. The 2003-04 budget-balancing package includes resource reductions, fee increases, new fees for service, and use of reserve funds. This approach adopted by the City Council and endorsed by the Home Builder's Association and the Chamber of Commerce did not promise faster service, but was intended to prevent service from deteriorating to less than acceptable levels. The City's long-term goals for the development process are:

- Make San Jose the best place in America to do business.
- Continuous improvement through on-going dialog and partnership with customers.
- Fiscal stability for the development fee programs.
- Provision of enhanced service options; and

- A consistent, predictable, and timely development process.

The adopted Economic Development Strategy has focused attention on the City's development process and the performance of the development services partners. Through three quarters of the 2003-04 fiscal year, the City's development fee revenue is on target to meet the budgeted 98% cost recovery level. Development process cycle times are now meeting or exceeding targets. Enhanced service options on larger projects are offered to customers who are willing to pay more for faster service and have proved very popular. Currently 60% of the Building Division customers are choosing one of the faster service options. The City's development service partners are making great strides in the effort to provide seamless, predictable and timely service to development customers. Building, Planning, Fire and Public Works have been working together in an effort to offer complete one stop permit processing in Room 200 of City Hall. The objective is to have a fully integrated one stop center staffed by members from each department which will allow the development services partners to work out logistical processing issues prior to the move to the new City Hall.

Staff reviewed the results of the 2003-04 South Bay Area Cost of Development Survey, which surveyed seven south bay cities: Fremont, Los Gatos, Milpitas, Morgan Hill, Palo Alto, San Jose and Santa Clara. The survey used five different sample projects to calculate development fees, impact or capacity fees, and development taxes to establish a starting point for determining the cost obligations that can be expected in different jurisdictions. All of the cities that participated in the survey have fee structures that are intended to recover the cost of providing service. Most of the south bay cities surveyed have set fees that are based on an analysis of the cost of service. When the value of the services provided exceeds the initial fee, additional service time must be purchased. Noticing requirements were also similar for most projects using the mandated 300' radius threshold for most projects. The City of Morgan Hill has a policy which controls growth, and the annual limitation on what can be built sometimes results in developers voluntarily paying 2 to 3 times the regular fees to improve the point total for their project in the competition for the limited development opportunities.

Councilmember Reed asked where does San Jose rank in comparison to other cities in delivering good service. Staff responded that a variety of indicators could be benchmarked, but clearly the cost of building will always be higher here than in other cities outside of the Bay Area region. Councilmember Reed asked how San Jose compared with other local cities. Staff responded each city is at a different level of accomplishment. Councilmember Reed stated that we should set our own standards of measurement and survey customers continuously and to ask developers with other cities around the country, how doing business in San Jose compares.

Paul Krutko, Director of the Office of Economic Development agreed that San Jose is one of handful of cities trying to establish performance standards of this type. Statistically the data indicates the City is meeting the deadlines and objectives it has set for itself.

Chair Williams asked if a fee calculator will be available online. Staff responded they are working to incorporate a fee calculator within the online permitting system. The permitting system went online the past week on a trial basis.

Councilmember Reed reinforced the need to streamline the process and expresses how valuable speed is in savings to a developer that is carrying the land cost until the development is ready to proceed.

Paul Krutko, Director of the Office of Economic Development stressed the importance of the land conversion policy. Providing certainty to developers on how a project will proceed assists in streamlining and saving time.

Councilmember Reed requested that the land cost be included on the next South Bay Area Cost of Development Survey Overview.

The Committee accepted staff's report on, "Report on the results of development process improvements".

3. Oral Petitions
None

4. Adjournment
The meeting was adjourned at 3:55 p.m.

Forrest Williams, Chair
Driving a Strong Economy Committee

